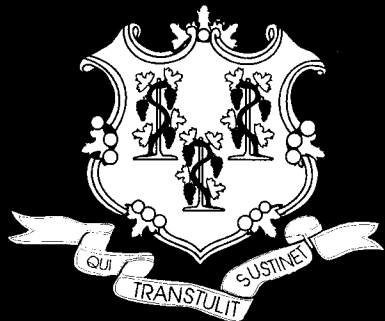


1997 FORM CT-1040

Connecticut Resident Income Tax Return and Instructions

This booklet
contains:

- Form CT-1040
- Form CT-1040EXT
- Form CT-1040ES
- Individual Use Tax Worksheet
- Tax Tables
- Tax Calculation Schedule
- Taxpayer Questionnaire



Dear Customer:

The Connecticut Department of Revenue Services is proud of the progress we have made in improving the quality of service that we provide to our customers. We are pleased to announce that again this year the Department has received awards for excellence and innovation and taxpayers continue to give us high marks for the way we do business. At DRS, we are committed to providing you with cost effective and efficient tax administration, programs that promote voluntary compliance, and above all, fair and equitable treatment of all taxpayers.

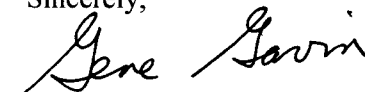
Before completing this return, please read the booklet carefully. Many important taxpayer-friendly legislative changes mean lower taxes for you, make the filing of your tax returns easier and facilitate faster refunds. These include:

- **lower 3% tax rate applies to more of your Connecticut income, reducing your overall tax;**
- **increase of available property tax credit up to \$215;**
- **expanded electronic and personal computer filing opportunities; and**
- **increase in threshold of underpayment of estimated taxes before interest may be imposed.**

Should you have any questions about filing your Connecticut state tax return, Department personnel are ready to help you. Please refer to the back cover for a complete list of our regional office locations, hours of service, phone and fax numbers. Comprehensive taxpayer information, including downloadable forms, is also available on our Internet site: <http://www.state.ct.us/drs>.

Your comments help us serve you better. I invite you to write or e-mail us through our Internet site with your ideas and suggestions.

Sincerely,


Gene Gavin
Commissioner

Taxpayer information is available on our Internet site:
<http://www.state.ct.us/drs>

Department of Revenue Services walk-in locations and telephone numbers are listed on the back cover.

SOME IMPORTANT CHANGES

- The income tax rate for individuals for taxable years beginning on or after **January 1, 1997**, has been reduced to 3% on the first **\$6,250** of *Connecticut taxable income* for single/married filing separate filers, **\$10,000** of *Connecticut taxable income* for heads of household, and **\$12,500** of *Connecticut taxable income* for married individuals filing jointly. *Connecticut taxable income* above these amounts is taxed at 4.5%.
- A **NEW** property tax credit for Connecticut residents who have paid property taxes on their primary residence and/or privately owned or leased motor vehicles is allowed for property taxes first becoming due and actually paid during the 1997 taxable year. The maximum credit allowed is \$215 per return. If you pay more than \$100 in property tax, you may be subject to a limitation based on your Connecticut adjusted gross income. See *Schedule 3 - Credit for Property Taxes Paid on Your Primary Residence and/or Motor Vehicle*, Page 21 for additional information, or listen to Topic 408, *Property Tax Credit*, on CONN-TAX (see below).
- There are two additional contribution check off boxes on the Connecticut Income Tax Return: the **Breast Cancer Research and Education Fund** and the **Safety Net Services Fund**. You may contribute all or part of your refund to one or more of these funds. See *What Will Your Contribution be Used For?* on Page 13 for a description of each fund.
- The threshold at which estimated income tax payments are required has been raised to \$500 from \$200. See *Should I Make Estimated Tax Payments?* on Page 8.
- The penalty for late payment of use tax has been reduced from 15% to 10% of the balance due.
- Each shareholder of an S corporation subject to the Connecticut corporation business tax must include 90% of his or her pro rata share of the S corporation's nonseparately computed income or loss multiplied by the S corporation's corporation business tax apportionment percentage, in computing Schedule 1 modifications. See instructions for Line 32, on Page 15 or Line 43, on Page 16.
- **Form CT-8801**, *Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts and Estates* has been revised to allow a greater portion of the credit for alternative minimum tax paid in a prior year to be used in the current taxable year.
- Effective for taxable years beginning on or after January 1, 1998, the social security modification on Schedule 1 has been revised. When completing the 1998 **Form CT-1040ES** reduce Line K of the 1997 *Social Security Benefit Adjustment Worksheet* by 50% before completing Line L and Line M.
- Farmers and fishermen, as defined in §6654(i)(2) of the Internal Revenue Code, must now make only one estimated income tax payment. This payment is due on or before January 15 of the following year. In addition, if a farmer or fisherman files a return and pays the tax computed on the return as payable on or before March 1 of the following year, no estimated payment is required for the prior year. See *Special Rules for Farmers and Fishermen* on Page 8.

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **860-297-5962** (Hartford area and out-of-state) or **1-800-382-9463** (in-state), press "2" to select "*Recorded Income Tax Information*," and enter the 3 digit number beside the topic of your choice.

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OTHER TAXES THAT YOU SHOULD KNOW ABOUT

The information that follows is intended to be a general description of other Connecticut taxes for which you may be liable. More detailed information is available by requesting the form or publication specified. Failure to pay these taxes, if you are liable for them, may subject you to civil and criminal penalties.

Connecticut Use Tax Reported on Form CT-1040

In general, purchased goods or services which would have been subject to the Connecticut sales tax had those goods or services been purchased from a Connecticut retailer, are subject to the Connecticut use tax. Typically, individuals who have purchased goods from mail order or catalog companies and have had those goods shipped to Connecticut, and individuals who have purchased goods at out-of-state locations and have brought those goods back into Connecticut, are subject to the Connecticut use tax if they did not pay Connecticut sales tax. The Connecticut use tax is computed on the purchase price of the goods or services and must be paid by April 15, 1998, for all purchases subject to the Connecticut use tax made during 1997. Taxpayers who owe use tax must complete **Form CT-1040, Individual Use Tax Worksheet**, on Page 23.

Connecticut Gift Tax (Form CT-709)

Gifts made during each calendar year by resident and nonresident individuals are subject to the Connecticut gift tax. Residents are subject to tax on all gifts of intangible property and of real and tangible personal property located in Connecticut. In general, gifts made to any particular donee are not subject to the Connecticut gift tax unless the value of all such gifts to such donee during the calendar year exceeds \$10,000. The tax is computed on the fair market value of the property that was given. The donor is liable for the tax, but if the donor does not pay the tax, it may be collected from the donee. The tax is reported on, and paid upon the filing of **Form CT-709, Connecticut Gift Tax Return**. The return must be filed, and the gift tax paid, on or before April 15 annually for gifts made during the preceding calendar year.

Connecticut Tax for Household Employers

Connecticut rules differ from federal rules. Household employers may not report and pay household employee withholding tax on their Connecticut income tax return. Request SN 96(8), 1996 Legislative Changes Concerning "Nanny Tax" Withholding.

GENERAL INFORMATION

WHERE CAN I GET HELP?

The Department of Revenue Services, Taxpayer Services Division can answer questions you may have on how to complete your Connecticut tax return. Taxpayer Services may be reached from 8:00 a.m. to 5:00 p.m., Monday through Friday, by calling 860-297-5962 (Hartford area or out-of-state) or 1-800-382-9463 (in-state). Telecommunications Device for the Deaf (TDD/TT) users **only** may call 860-297-4911.

Assistance is also available from 8:00 a.m. to 5:00 p.m. by visiting any of the Department's offices listed on the back cover of this booklet.

If you visit, be sure to bring:

1. your "state copy" of your federal Forms W-2 or 1099-R;
and
2. your **COMPLETED** federal income tax return.

WHERE CAN I GET ADDITIONAL FORMS AND PUBLICATIONS?

Connecticut income tax forms may be obtained at any of the Department's offices (listed on the back cover) as well as at Connecticut:

- post offices
- town halls
- public libraries
- some banks

Connecticut tax forms may also be obtained by writing to:

DRS Forms Unit
25 Sigourney Street
Hartford CT 06106-5032

or by calling 860-297-5962 (Hartford area or out-of-state) or 1-800-382-9463 (in-state) 24 hours a day and choosing option three, for DRS Forms Unit.

Electronic Delivery Options

You can also obtain forms and publications 24 hours a day from our site on the World Wide Web at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

HOW CAN I GET MY REFUND FASTER?

The Department of Revenue Services issues refund checks as quickly as possible. An incomplete or incorrectly prepared return can delay or reduce your income tax refund. The following tips will help us get your refund to you as quickly as possible.

1. File the appropriate form for your tax situation. Most people will be able to file the simpler **Form CT-1040EZ**, *Connecticut Resident EZ Income Tax Return*. (See *Which Form Should I Use?* on Page 6.) Using this form decreases processing time and speeds refunds.
2. Be sure to check the correct filing status.
3. Make sure a legible "state copy" of all federal Forms W-2 (Wages) are attached to your Connecticut return. Also attach Forms W-2G (Winnings), 1099-R (Pensions) and any other forms showing Connecticut income tax withheld.

4. Sign your return upon completion. If you and your spouse are filing jointly, both of you must sign.
5. Be sure your paid preparer signs the return.
6. Use the preprinted label if one is included with this booklet. The information on this label will help us process your return and refund more quickly.

If you are not using a preprinted label, be sure to include your name(s), mailing address and social security number(s) in the name and address section of your return.
7. Be sure that both you and your spouse file your income tax returns at the same time if you filed joint estimated tax payments but elected to file separate income tax returns. No refund will be processed until both Connecticut returns are received.
8. Use the correct mailing label when filing your return. One label is for refund requests or no additional tax due. The other is for payments.

Electronic Filing / On-Line Filing

The Department of Revenue Services participates with the Internal Revenue Service in the joint Federal/State Electronic Filing Program. You can now file electronically if you have a refund, a balance due or no tax due return. You will benefit from faster refunds and a direct deposit of refunds. The Department cannot provide you with information about how to file electronically. You must contact a tax professional or company that offers electronic filing or on-line filing through the Federal/State Electronic Filing Program.

WHO MUST FILE A CONNECTICUT RETURN?

You are required to file a Connecticut income tax return if you were a resident for the entire year or consent to be treated as a resident for the entire year **and** any of the following is true for the 1997 taxable year:

1. you had Connecticut income taxes withheld; **or**
2. you made estimated tax payments to Connecticut; **or**
3. you meet the gross income test (see below); **or**
4. you had a federal alternative minimum tax liability.

The Gross Income Test

You are required to file a Connecticut income tax return if your **gross income** for 1997 exceeds:

- \$12,000 for a Single or Married person filing separate
- \$19,000 for Head of household
- \$24,000 for Married persons filing jointly

Gross income means all income you received in the form of money, goods, property and services that is not exempt from federal tax **and** any additions to income from **Forms CT-1040 or CT-1040NR/PY**, Schedule 1.

Gross income includes, but is not limited to, the following items:

- compensation for services, including wages, fees, commissions, taxable fringe benefits, and similar items;
- gross income from a business;
- capital gains;
- interest and dividends;
- gross rental income;
- gambling winnings;
- alimony;
- taxable pensions and annuities;
- prizes and awards;
- your share of income from partnerships, S corporations, estates and trusts;
- IRA distributions;
- unemployment compensation;
- **federally taxable** social security.

The following examples explain the gross income test:

Example 1: A Connecticut resident whose only income is from a sole proprietorship files a federal Form 1040, Schedule C reporting the following:

Schedule C:	Gross Income	\$100,000
	Expenses	(92,000)
	Net Income	\$8,000

Since the **gross** income of \$100,000 exceeds the minimum requirements, this resident is required to file a Connecticut tax return.

Example 2: A Connecticut resident receives \$8,000 in federally nontaxable social security benefits and \$11,000 in interest income. Since nontaxable social security is not part of gross income, **no** Connecticut return must be filed provided no Connecticut tax was withheld and no estimated tax payments were made.

Example 3: A resident who files as single on a Connecticut income tax return receives \$11,500 in wage income and \$1,000 in federally-exempt interest from California state bonds. The taxpayer's federal gross income with additions from **Form CT-1040**, Schedule 1 (interest on state or local obligations other than Connecticut) is \$12,500. Therefore, a Connecticut return must be filed.

Title 19 Recipients

Title 19 recipients are required to file a Connecticut income tax return if the requirements for *Who Must File a Connecticut Return?* are met. If you were a Title 19 recipient in 1997 **and** Medicaid assisted in the payment of your long-term care in a nursing or convalescent home in 1997 **and** you do not have the funds to pay your Connecticut income tax, complete **Form CT-19 IT** and attach it to the **front** of your Connecticut income tax return. By completing this form you authorize DRS to verify your Title 19 status for 1997 with the Department of Social Services.

How Do I File A Decedent's Return?

A Connecticut income tax return must be filed for a taxpayer who died during the taxable year if the requirements for *Who Must File a Connecticut Return?* are met. It must be signed and filed by his or her executor, administrator or surviving spouse for the portion of the year before the taxpayer's death. The date of the taxpayer's death must be clearly stated at the top of the return. As for federal purposes, a joint return may be filed by a surviving spouse. (Indicate who is deceased and date of death.) Write **"Filing as surviving spouse"** in the deceased spouse's signature block of the return. In the case of the death of both spouses, a final return must be filed by their legal representative. The Connecticut filing status must be consistent with the federal filing status.

Claiming A Refund For A Deceased Taxpayer

If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return **and** attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund must file the return and attach federal Form 1310.

Any income received by the estate of the decedent for the portion of the taxable year after the decedent's death, and for succeeding taxable years until the estate is closed, must be reported each year on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*.

Special Information For Nonresident Aliens

In accordance with Conn. Agencies Regs. §12-740-8, a nonresident alien who is a resident of Connecticut, or who is a nonresident of Connecticut but has Connecticut adjusted gross income derived from or connected with sources within this state, shall file a Connecticut income tax return and pay Connecticut income tax even though the nonresident alien is not or may not be required to file a federal income tax return or pay federal income tax. The provisions of any income tax treaty between the United States and another country shall be disregarded for Connecticut income tax purposes, because no such treaty prohibits or restricts the imposition of state and local income taxes. Therefore, for Connecticut income tax purposes, any treaty income as reported on federal Form 1040NR must be entered as a modification increasing federal adjusted gross income on **Form CT-1040**, Schedule 1, Line 36. Enter the words **"treaty income"** in the space provided. You must attach a copy of your federal Form 1040NR to your Connecticut income tax return whether or not one was actually filed with the Internal Revenue Service. (See *Am I a Resident, Part-year Resident or Nonresident* on Page 6.)

Taxable Year and Method of Accounting

A taxpayer's taxable year and method of accounting shall be the same as the taxpayer's taxable year and method of accounting for federal income tax purposes.

If a taxpayer's taxable year or method of accounting is changed for federal income tax purposes, the taxable year or method of accounting shall be similarly changed for Connecticut income tax purposes.

WHICH FORM SHOULD I USE?

Can I File Form CT-1040EZ?

Most residents will find that they qualify to file the short, simple **Form CT-1040EZ**. You may file **Form CT-1040EZ** if all of the following are true:

- ☐ you were a resident of Connecticut for the entire year or consent to be treated as a resident for the entire year; **and**
- ☐ you are not claiming credit for income taxes paid to another jurisdiction; **and**
- ☐ you have no modifications to federal adjusted gross income for Connecticut income tax purposes, **or** your only modification is a federally taxable refund of state and local income taxes (see *Schedule 1 Modifications to Federal Adjusted Gross Income* on Page 15); **and**
- ☐ you do not have a federal alternative minimum tax liability; **and**
- ☐ you are not claiming an adjusted net Connecticut minimum tax credit.

If any of these statements are **not** true, you must file **Form CT-1040** or **Form CT-1040NR/PY**.

If you owe penalty and interest for a late-filed return **and** you want to pay the amount with your return, you must file **Form CT-1040**. However, if you file **Form CT-1040EZ**, the Department will bill you for outstanding penalty and interest.

If one spouse is a resident and the other spouse is a part-year resident or nonresident and you file a joint federal income tax return you may not be eligible to file a joint **Form CT-1040EZ**. See *Filing Status* on Page 11 for information.

What is Connecticut Adjusted Gross Income?

For the purpose of completing **Form CT-1040**, Connecticut adjusted gross income is your federal adjusted gross income as reported on Line 32 of your federal Form 1040, Line 16 of your federal Form 1040A, Line 4 of your federal Form 1040EZ, or Line H on your TeleFile Tax Record with Connecticut modifications as listed on **Form CT-1040**, Schedule 1.

Am I a Resident, Part-Year Resident or Nonresident?

To determine your residency status and the return you must file for 1997, read the following:

Resident: (Complete **Form CT-1040EZ** or **Form CT-1040**)

1. Connecticut was my domicile (permanent legal residence) for the entire year of 1997; **or**
2. I maintained a permanent place of abode in Connecticut **and** spent a total of more than 183 days in Connecticut during the 1997 taxable year, **and** I am not a part-year resident.

Part-Year Resident: (Complete **Form CT-1040NR/PY**)

I changed my permanent legal residence by moving into or out of Connecticut during the taxable year. (See detailed filing instructions contained in the instruction booklet for **Form CT-1040NR/PY**.)

Nonresident: (Complete **Form CT-1040NR/PY**)

1. I was not a resident or part-year resident for 1997; **and**
2. I had income, gains or losses from Connecticut sources in 1997.

IMPORTANT: You may be treated as a nonresident for 1997 even though your domicile was Connecticut if **all** of the following conditions are met:

1. you maintained no permanent place of abode in Connecticut for the entire taxable year of 1997; **and**
2. you maintained a permanent place of abode outside of Connecticut for the entire taxable year of 1997; **and**
3. you spent not more than thirty days in the aggregate in Connecticut during the 1997 taxable year.

Military personnel stationed in Connecticut, but domiciled in another state are considered nonresidents. (See detailed filing instructions contained in the instruction booklet for **Form CT-1040NR/PY**.)

DEFINITIONS: *Domicile* (permanent legal residence) is the place you intend to have as your permanent home. It is the place you intend to return to whenever you are away. You can have only one domicile although you may have more than one place to live. Your domicile does not change until you move to a new location and definitely intend to make your permanent home there. If you move to a new location but intend to stay there only for a limited time (no matter how long), your domicile does not change. This also applies if you are working in a foreign country.

Permanent place of abode is a residence (a building or structure where a person can live) that you permanently maintain, whether or not you own it, and generally includes a residence owned by or leased to your spouse. A permanent place of abode is not deemed permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose.

Are Military Personnel Required to File?

Military personnel who claim Connecticut as a residence but are stationed elsewhere will be subject to Connecticut income tax. If you enlisted in the service as a Connecticut resident and have not established a new domicile (permanent legal residence) elsewhere, you are required to file a resident income tax return unless you meet all three conditions for being treated as a nonresident listed above.

If your permanent home (domicile) was outside Connecticut when you entered the military, you do not become a Connecticut resident because you are stationed and live in Connecticut. As a nonresident, your military pay is not subject to Connecticut income tax. However, income that you receive from Connecticut sources while you are a nonresident (including your spouse's nonmilitary income) may be subject to Connecticut income tax. (See instructions for a Connecticut nonresident contained in the instruction booklet for **Form CT-1040NR/PY**.)

Example: Sue is a resident of Florida. She enlisted in the Navy in Florida and was stationed in Groton, Connecticut. She earned \$38,000 in military pay.

A. She had no other income.

Military personnel are residents of the state in which they resided when they enlisted. Since Sue resided and enlisted in Florida, she is considered a resident of Florida and does not have to file a Connecticut return.

B. Sue has a part-time job in Connecticut.

Her Connecticut source income from nonmilitary employment is taxable and must be reported on **Form CT-1040NR/PY**.

Spouses of military personnel who are stationed in Connecticut may be considered residents of this state even if their domicile is elsewhere. (See *Am I a Resident, Part-Year Resident or Nonresident?* on Page 6.)

For further information, contact the Department and request **IP 92(2.4)**, *Connecticut Income Tax Information for Military Personnel and Veterans*.

The income tax return of any individual in the U.S. armed forces serving in a combat zone or injured and hospitalized while serving in a combat zone shall be due 180 days after returning. There will be no penalty or interest charged. For any individual who dies while on active duty in a combat zone or as a result of injuries received in a combat zone, no income tax or return is due for the year of death. A refund of tax paid will be provided to the legal representative of the estate or to the surviving spouse.

DEFINITION: *Combat zone* is an area designated by the President of the United States as a combat zone by executive order. A combat zone also includes an area designated by the federal government as a *qualified hazardous duty area*.

Example: If an individual in the U.S. armed forces is serving in the peacekeeping efforts in Bosnia and Herzegovina, Croatia or Macedonia, he or she is also eligible for the 180 day extension due individuals serving in a combat zone. The individual should print at the top of his or her return "**Bosnia-Operation Joint Endeavor**".

WHEN SHOULD I FILE?

Your Connecticut income tax return is due on or before April 15, 1998, and will be considered timely-filed if received or if the date shown by the U.S. Post Office cancellation mark is on or before this date.

If your taxable year is other than the calendar year, you must file on or before the fifteenth day of the fourth month after the end of your taxable year. If this date falls on a Saturday, Sunday or legal holiday, substitute the next business day. Your return will be considered timely-filed if it is actually received or if the date shown by the U.S. Post Office cancellation mark is on or before the due date of your return.

If you file late, you will be subject to penalty and interest. Penalty and interest apply to late filing, late payment and underpayment of tax. If you have an overpayment of income tax or no tax is due but you are required to file a return and you file late, you will be subject to penalty.

How Do I Request an Extension of Time to File My Return?

If you are unable to file a timely return you must file **Form CT-1040EXT**, *Application for Extension of Time to File*, and pay the amount of tax you expect to owe on or before the original due date for filing your Connecticut income tax return. This form is contained in this booklet for your convenience. The filing of this form will automatically extend the due date for **six months** (October 15, 1998, for calendar year taxpayers) if federal Form 4868, *Application for Automatic Extension of Time*, has been filed. (You are not required to attach a copy of the federal extension request to **Form CT-1040EXT**.)

Form CT-1040EXT only extends the time to file your final return; it does not extend the time to pay your income tax or individual use tax. Penalty and interest will be assessed on any tax not paid by the original due date. (See *When Do Penalty and Interest Apply?* on Page 9.)

U.S. Citizens Living Abroad

If you are a U.S. citizen or resident living outside the United States and Puerto Rico, or in the armed forces of the United States serving outside the United States and Puerto Rico, and are unable to file a timely Connecticut income tax return, you must file **Form CT-1040EXT**. You must also pay the amount of tax that you expect to owe on or before the original due date of the return.

Include with **Form CT-1040EXT** a statement that you are a U.S. citizen or resident living outside the United States and Puerto Rico, or in the armed forces of the United States serving outside the United States and Puerto Rico and that you qualify for a federal automatic two-month extension. If your application is approved, the due date will be extended for six months (October 15, 1998, for calendar year taxpayers). If you are still unable to file your return and you have applied for and were granted an additional extension of time to file for federal purposes using federal Form 2350, you may also file your Connecticut return using the federal extension due date but you must attach a copy of the federal Form 2350 approval notice to the front of your Connecticut return.

WHAT IF I CAN'T PAY ALL THE TAX I OWE?

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. Even if you cannot pay all the tax you owe, you should file your return on time and pay as much as you can. Penalty and interest will be assessed on any tax not paid by the original due date. (See *When Do Penalty and Interest Apply?* on Page 9.) If you continue to make payments, you can reduce the amount of interest you would otherwise owe.

Extension of Time to Pay the Tax

You may be eligible for an extension of six months to pay the tax you owe if you can show that it will cause you undue hardship to pay the tax on the date it is due. To receive consideration, you must file **Form CT-1127**, *Application For Extension Of Time For Payment Of Income Tax*, on or before the original due date of the return.

You must attach **Form CT-1127** to the front of your timely-filed Connecticut income tax return or your timely-filed **Form CT-1040EXT**. As evidence of the need for extension, you must attach (1) a statement of assets and liabilities, and (2) an itemized list of receipts and disbursements for the preceding three months. You must also explain why you are unable to borrow the money to pay the tax.

If an extension of time to pay is granted and full payment of tax is made on or before the end of the extension period, the penalty will be waived. Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment from the original due date of the return until the tax is paid in full. Interest charges cannot be waived.

You are required to make full payment of tax on or before the end of the extension period. The Department encourages you to begin making payments as soon as possible which will reduce the interest that you will otherwise owe. Mail payments to:

**Accounts Receivable Unit
Department of Revenue Services
PO Box 5088
Hartford CT 06102-5088**

WHAT SHOULD I DO IF I MAKE A MISTAKE OR LEAVE SOMETHING OFF MY RETURN?

If, after filing your income tax return, you receive an additional wage and tax statement (Form W-2 or 1099) or discover that an error was made, **do not** submit a second **Form CT-1040**. If corrections are necessary, you must file **Form CT-1040X**, *Amended Connecticut Income Tax Return*. An amended return claiming a refund of an overpayment must be filed within three years from the original due date of the return, or three years from the extended due date of the return if an extension of time to file the return was granted by the Department to the taxpayer.

Contributions made to designated funds and overpayments applied to the next year's estimated taxes on the original return are irrevocable and cannot be changed by amendment.

Changes to Your Federal Return

If your income is changed or corrected by the Internal Revenue Service, you must file **Form CT-1040X**, within 90 days after the final determination is made, if the federal change affects the Connecticut income tax liability (including alternative minimum tax).

If you file an amended federal income tax return, you must also file **Form CT-1040X** within 90 days after filing your amended federal income tax return if the change affects the Connecticut income tax liability (including alternative minimum tax).

Changes to Another State's Return

If you claimed credit on your Connecticut income tax return or **Form CT-6251**, *Connecticut Alternative Minimum Tax Return-Individuals*, for income tax paid to another jurisdiction and the amount of tax you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file **Form CT-1040X** within 30 days of the final determination of that amount.

IMPORTANT: For taxable years beginning on or after January 1, 1996, **Form CT-1040X** is year-specific. **Form CT-1040X** is available from the Department. In order to receive the appropriate form, state the year for which you are amending your return when requesting **Form CT-1040X**.

SHOULD I MAKE ESTIMATED TAX PAYMENTS?

A payment of estimated income tax is generally required if your Connecticut income tax (after tax credits) **minus** Connecticut tax withheld is **more than \$500**, **AND** you expect your Connecticut income tax withheld to be less than your required annual payment.

Your required annual payment for 1998 is the lesser of:

1. **90% of the income tax shown on your 1998 Connecticut income tax return;**
- or**
2. **100% of the income tax shown on your 1997 Connecticut income tax return, if you filed a 1997 Connecticut income tax return that covered a 12-month period.**

You do **not** have to make estimated income tax payments if:

1. you were a Connecticut resident in 1997 and you did not file a 1997 income tax return because you had no Connecticut income tax liability;
- or**
2. you were a nonresident or part-year resident with Connecticut source income in 1997 and you did not file a 1997 income tax return because you had no Connecticut income tax liability.

If you were a nonresident or part-year resident and you did not have Connecticut source income in 1997 then you **must** use 90% of the income tax shown on your 1998 Connecticut income tax return as your required annual payment.

Special Rules for Farmers and Fishermen

If you are a farmer or fisherman (as defined in Section 6654(i)(2) of the Internal Revenue Code) who is required to make estimated income tax payments, you will be required to make only one payment. Your installment is due on or before January 15, 1999, for the 1998 taxable year. The required installment shall be the lesser of 66 2/3% of the Connecticut income tax shown on your 1998 return or 100% of the Connecticut income tax shown on your 1997 return. For further information, request **IP 97(8)**, *Farmer's Guide to Sales and Use and Estimated Income Taxes*.

A farmer or fisherman, as defined in Section 6654(i)(2) of the Internal Revenue Code, who files a 1998 Connecticut income tax return on or before March 1, 1999, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for underpayment of estimated tax.

Farmers and fishermen who use these special rules **must** complete and attach **Form CT-2210**, *Underpayment of Estimated Tax by Individuals, Trusts and Estates* to their Connecticut income tax return to avoid being billed for interest on the underpayment of estimated income tax. **Form CT-2210**, Part I, Box D must be checked as well as the box for **Form CT-2210** on the front of **Form CT-1040**.

Annualized Income Installment Method

If your income varies throughout the year, using the annualized income installment method may enable you to reduce or eliminate the amount of your estimated tax payment for one or more periods. For further information, request **IP 93(6.4)**, *A Guide to Calculating Your Annualized Estimated Tax Installments and Worksheet CT-1040AES*.

Filing Form CT-1040ES

Use **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon*, to make estimated Connecticut income tax payments for 1998. If you made estimated tax payments in 1997, you will receive *1998 Estimated Connecticut Income Tax Payment Coupons for Individuals* in mid-January containing preprinted coupons with your name, address and social security number. To ensure that your payments are properly credited, be sure to use the preprinted coupons.

If you did not make estimated tax payments in 1997, use **Form CT-1040ES** included in this booklet to make your first estimated income tax payment. If you file this form, additional coupons will be mailed to you.

To avoid making estimated tax payments, you may request your employer to withhold additional amounts from your wages to cover the taxes on other income. You can make this change by providing your employer with a revised **Form CT-W4**, *Employee's Withholding or Exemption Certificate*.

1998 Estimated Tax Due Dates

Due dates of installments and the amount of required payments for 1998 calendar year taxpayers are as follows:

April 15, 1998	25% of your required annual payment
June 15, 1998	25% of your required annual payment (A total of 50% of your required annual payment should be paid by this date.)
September 15, 1998	25% of your required annual payment (A total of 75% of your required annual payment should be paid by this date.)
January 15, 1999	25% of your required annual payment (A total of 100% of your required annual payment should be paid by this date.)

As a result of legislation, the tax rate for 1998 estimated payments has been reduced. Complete **Form CT-1040ES** located in this booklet for installments due April 15, 1998 and June 15, 1998. Request **Form CT-1040ES** from the Department to calculate the amounts of installments due September 15, 1998 and January 15, 1999 using the reduced tax rate.

If any due date falls on a Saturday, Sunday or legal holiday, substitute the next business day. An estimate will be considered timely-filed if received or if the date shown by the U.S. Post Office cancellation mark is on or before the due date.

For those taxpayers who report on other than a calendar year basis, use your federal estimated tax installment dates.

Interest on Underpayment of Estimated Tax

If you did not pay enough tax through withholding and/or estimated payments by any installment due date, you may be charged interest. This is true even if you are due a refund when you file your tax return. Interest is calculated separately for each installment. Therefore, you may owe interest for an earlier installment, even if you paid enough tax later to make up the underpayment. Interest at 1% (.01) per month or fraction of a month shall be added to the tax due until the **earlier** of the following dates: April 15, 1998, or the date on which the underpayment is paid.

A taxpayer who files a 1997 income tax return on or before January 31, 1998, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for failing to make the estimated payment due January 15, 1998. (This does not apply to taxpayers paying estimated Connecticut income taxes as farmers or fishermen.)

Filing Form CT-2210

If your 1997 Connecticut income tax (after tax credits) minus Connecticut tax withheld, is more than \$500, you can use **Form CT-2210, Underpayment of Estimated Income Tax by Individuals, Trusts and Estates**, to find out if you paid enough income tax during the year. You can also use this form to calculate interest if you underpaid your estimated tax. **Form CT-2210** and detailed instructions are available from the Department. However, this is a complex form and you may prefer to have the Department calculate the interest for you.

WHEN DO PENALTY AND INTEREST APPLY?

Late Payment or Late Filing

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. A penalty of 10% (.10) of the amount of tax underpaid will apply. **If no tax is due but you are required to file or if you are claiming a refund, the penalty for late filing is \$50.** Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment until the tax is paid in full. (See **LINE 26 - Penalty for Late Payment or Late Filing** on Page 14.)

Failure to File

If you fail to file your return and the Commissioner of Revenue Services files a return for you, the penalty for failure to file is 10% (.10) of the balance due or \$50, whichever is greater.

Failure to Report Federal Changes

If the Internal Revenue Service changes your income for any year or if you file an amended federal return, you are required to report such changes within 90 days after the final determination of such changes or the filing of such amendment, if the federal change affects the Connecticut income tax liability (including alternative minimum tax). The change should be reported on an amended Connecticut income tax return, **Form CT-1040X**. The penalty for failure to report any such change within the 90-day period is \$50.

Failure to Report State Changes

If you claimed credit for income tax paid to another jurisdiction on your Connecticut income tax return or **Form CT-6251** and the amount of tax you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended Connecticut income tax return, **Form CT-1040X**, within 30 days of the final determination of that amount. The penalty for failure to report any such change within the 30-day period is \$50.

Waiver of Penalty

You may be entitled to a waiver of penalty if the failure to pay tax was due to reasonable cause. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. (Be sure to include your name and social security number on all correspondence.) Do not include penalty waiver requests with the tax return.

Mail separately to:

**Penalty Review Committee
Department of Revenue Services
PO Box 5089
Hartford CT 06102 - 5089**

Interest cannot be waived. Before a penalty waiver can be granted, the taxpayer must pay **all tax and interest** due.

WHAT HAPPENS AFTER I FILE?

How Long Should Records be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) until the statute of limitations runs out for that return. Usually, this is three years from the date the return was due or filed.

This information may be needed in preparing future returns or in amending filed returns.

Copies of Returns

You may request a copy of a previously filed Connecticut income tax return from the Department by completing **Form LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. It generally takes three weeks to fill such requests.

Information About Refunds

If you have a touch-tone phone, you may get information on the status of your refund 24 hours a day by calling 860-297-5962 (Hartford area or out-of-state) or 1-800-382-9463 (in-state). You must have the following information available: your social security number (and your spouse's, if filing jointly) and the exact amount of the refund you requested.

You should allow at least eight weeks for your refund to be processed. You are entitled to interest on your overpayment at the rate of 2/3% for each month or fraction of a month between the 90th day following receipt of your claim for a refund or the due date of your return, whichever is later, and the date of notice that your refund is due.

If you want your refund to be mailed to someone other than yourself, request **PS 96(4), Mailing and Issuance of a Tax Refund to a Party Other than the Taxpayer**.

Offset Against Debts

If you are due a refund but have not paid certain obligations to Connecticut state agencies or the Internal Revenue Service, all or part of your overpayment may be used to pay all or part of these outstanding debts or taxes. You will be advised by mail if your refund is reduced for this reason and will be given information directing you to the agency to contact if you wish to appeal. Your refund may also be reduced if you owe penalty and interest on late-filed or underpaid Connecticut income tax returns.

Nonobligated Spouse

When a joint return is filed and only one spouse owes past due child support or a debt to any Connecticut state agency, the spouse who is not obligated may be eligible to claim a share of a joint income tax refund. A nonobligated spouse who received income in 1997 and who made Connecticut tax payments (withholding or estimates) for taxable year 1997 may be eligible to claim his or her share of any refund if:

1. a joint Connecticut tax return was filed for 1997; **and**
2. an overpayment of tax was made.

If you are a nonobligated spouse, you may claim your share of a joint refund by filing **Form CT-8379, Nonobligated Spouse Claim**.

Do not use **Form CT-8379** to claim your share of a Connecticut refund that was applied to federal taxes owed to the Internal Revenue Service. You must contact the IRS Problem Resolution Office in Hartford at 860-240-4179.

INSTRUCTIONS FOR CONNECTICUT RESIDENT INCOME TAX RETURN - FORM CT-1040

HOW DO I START?

If you follow this easy five-step process, you should be able to complete your form with a minimum amount of time and effort.

Step One - Complete Your Federal Return

Before you begin, get all your records together, including your federal Forms W-2 (Wages), W-2G (Winnings), 1099-R (Pensions) and other 1099s. First use this information to complete your federal income tax return. The information on your federal return will help you complete your Connecticut return.

Step Two - Complete Your Connecticut Return

Remove the income tax forms from this booklet. One copy is for you to file with the Department of Revenue Services. The other copy is for your records. If you complete the copy for your records first, you will be able to make any necessary corrections and copy your final calculations onto the form you send to the Department of Revenue Services. Keep the copy for your records. You may need information from it when you file your next year's return, make estimated tax payments, or if we write to you with a question.

Simply proceed item by item, reading the instructions for each line item before you enter any amounts. Then copy all information carefully onto the form you intend to file.

Step Three - Order of Attachments

Staple all your Forms W-2 or **Form CT-4852** (substitute Form W-2) to the front of the income tax form in the appropriate area marked "**Staple Forms W-2, W-2G and 1099 here.**" Also attach any other forms showing Connecticut income tax withheld.

Paper clip your check or money order in payment of the tax due to the front of the income tax form in the appropriate area marked "**Clip check or money order here.**"

In addition, if you must file any of the following forms, attach the form(s) to the **front** of your income tax return in the following order:

- **Form CT-19 IT** (Title 19 status release)
- **Form CT-1127** (Extension of time to pay)
- **Form CT-8379** (Nonobligated spouse)

Attach other required forms and schedules to the back of your return or as directed on the form.

Step Four - Check Your Return

Take your time in completing your return. When you have finished your return, recheck all of your entries and arithmetic.

After you have completed your return, be sure to sign it and attach any required schedules, statements or forms.

REMEMBER: Errors delay refunds.

Step Five - Mailing Your Return

This package contains one envelope with two pre-addressed labels for mailing your return. By using the correct label, you will help us to reduce processing time.

For **REFUND REQUEST** or **NO TAX DUE**, affix the mailing label that has this address and mail to:

**Department of Revenue Services
PO Box 2976
Hartford CT 06104-2976**

For **PAYMENT**, affix the mailing label that has this address and mail to:

**Department of Revenue Services
PO Box 2977
Hartford CT 06104-2977**

NAME AND ADDRESS

All information on **Form CT-1040** should be for the calendar year January 1 through December 31, 1997, or for your fiscal year beginning in 1997. If filing for a fiscal year other than the calendar year, enter the month and day the taxable year began, and the month, day and year that it ended, at the top of the front page.

After you have completed your return and checked it for accuracy, remove the preprinted peel-off label included in this booklet and place it over the name and address blanks of your return. Using the label speeds up processing your return so that you may receive your refund sooner. It also reduces the possibility of error, which could delay your refund.

Make sure the information on the label is correct. Do not use this label if any of the information is incorrect. Print or type the correct information in the name and address blanks on your return.

If there is no preprinted label, print or type the information requested in the space provided at the top of **Form CT-1040**. Be sure your social security number is listed on your return. If you file a joint return, list your social security number and your spouse's social security number in the order they appear on your federal return.

If your return is being completed by someone else, take your booklet to your tax preparer so that the preparer can attach the label to your return.

FILING STATUS

Check the appropriate box to indicate your filing status. For the purpose of **Form CT-1040**, your filing status must match your federal income tax filing status for this year. Consult the information in your federal income tax booklet or call the Internal Revenue Service at 1-800-829-1040 if you are not certain of your filing status for 1997.

What if My Spouse and I are Residents of Different States?

When one spouse is a **Connecticut resident** or a **nonresident** and the other spouse is a **part-year resident**, **EACH** spouse who is required to file a Connecticut income tax return **must** file as **"married filing separate."**

When one spouse is a **Connecticut resident** and the other is a **nonresident**, **EACH** spouse who is required to file a Connecticut income tax return **must** file as **"married filing separate"** unless:

1. they file jointly for federal income tax purposes;
and
2. they elect to be treated as if both were Connecticut residents for the entire taxable year.

If filing a joint federal return and a separate Connecticut return, enter on Line 1 of **Form CT-1040** only **your** portion of the income included in joint federal adjusted gross income.

ROUNDING OFF TO WHOLE DOLLARS

You may round off cents to the nearest whole dollar on your return and schedules. All cents up to and including 49 cents are to be dropped. All amounts from 50 cents to 99 cents are to be rounded up to the next highest dollar. For example, \$1.29 becomes \$1.00 and \$3.59 becomes \$4.00. If you do round off, do so for all amounts.

However, if you need to add two or more amounts to compute the amount to enter on a line, include cents when adding and only round off the total. For example, if you received two state W-2 forms, one showing \$800.49 withheld and one showing \$50.22 withheld you would enter on **Form CT-1040**, Line 17, \$851.00 (\$800.49 + \$50.22 = \$850.71).

You may round off the amount of tax due as stated in the 1997 Tax Tables or as calculated using the Tax Calculation Schedule.

CAUTION: Rounding off to whole dollars may affect the amounts of your personal exemption and your personal tax credit.

FORM CT-1040 - LINE INSTRUCTIONS

LINE 1 - INCOME

Enter your federal adjusted gross income from your 1997 federal income tax return. This will be the amount reported on Line 32 of federal Form 1040, Line 16 of federal Form 1040A, Line 4 of federal Form 1040EZ, or Line H of federal TeleFile Tax Record.

LINE 2 - ADDITIONS

Enter the amount from **Form CT-1040**, Schedule 1, Line 37. (See *Additions to Federal Adjusted Gross Income* on Page 15.)

LINE 3

Add Line 1 and Line 2. Enter the total on Line 3.

LINE 4 - SUBTRACTIONS

Enter the amount from **Form CT-1040**, Schedule 1, Line 47. (See *Subtractions from Federal Adjusted Gross Income* on Page 16.)

LINE 5 - CONNECTICUT ADJUSTED GROSS INCOME

Subtract Line 4 from Line 3 and enter the result on Line 5. This is your Connecticut adjusted gross income.

LINE 6 - TAX COMPUTATION

If the amount on Line 5 is \$12,000 or less, enter zero on Line 6. If the amount is more than \$12,000, calculate your tax using one of the following methods:

Tax Tables - If your Connecticut adjusted gross income is less than or equal to \$102,000, you may use the Tax Tables in the back of this booklet to find your tax. Be sure to use the correct column in the Tax Tables. After you have found the correct tax, enter that amount on Line 6.

Tax Calculation Schedule - You **must** use the Tax Calculation Schedule to figure your tax if your Connecticut adjusted gross income is more than \$102,000. You may also use the Tax Calculation Schedule if your Connecticut adjusted gross income is less than or equal to \$102,000. This Schedule is found at the end of this booklet.

LINE 7 - NET CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

If all or part of the income reported on this return is subject to income tax in another state or specified jurisdiction and you have filed a return and paid income taxes to that jurisdiction, complete Schedule 2 on the back of **Form CT-1040** and enter the amount from Line 58 here. You must also complete Schedule 2 if you are claiming a foreign tax credit on your federal tax return for taxes paid to a Canadian province and you previously were allowed a credit for those taxes on your Connecticut return. (See *Schedule 2 - Credit for Income Taxes Paid to Other Jurisdictions* on Page 18.)

You must attach a copy of the tax return filed with that state or other jurisdiction to your Form CT-1040.

LINE 8

Subtract Line 7 from Line 6. Enter the result on Line 8. If Line 7 is greater than Line 6, enter 0. However, if the amount entered on Line 7 is a negative number, add that amount (as a positive number) to the amount entered on Line 6, and enter the total on Line 8.

LINE 9 - CONNECTICUT ALTERNATIVE MINIMUM TAX

If you were required to pay the federal alternative minimum tax for 1997, you must file **Form CT-6251**, *Connecticut Alternative Minimum Tax Return - Individuals*.

LINE 10

Add Line 8 and Line 9 and enter the total on Line 10.

LINE 11 - CREDIT FOR PROPERTY TAXES PAID ON YOUR PRIMARY RESIDENCE AND/OR MOTOR VEHICLE

If the amount on Line 10 is zero, skip Lines 11 and 12 and go to Line 13. Complete Schedule 3 on the back of **Form CT-1040** and enter the amount from Line 66 here. Be certain to include all of the requested information or your credit may be denied. (See *Schedule 3 - Credit for Property Taxes Paid on Your Primary Residence and/or Motor Vehicle* on Page 21.)

IMPORTANT: The credit is limited to the lesser of \$215 or the amount of qualifying property taxes paid. The maximum property tax credit allowed is \$215 per return, regardless of filing status. If you paid more than \$100 in property tax, you may be subject to a limitation based on your Connecticut adjusted gross income. (See *Property Tax Credit Limitation Worksheet* on Page 22.) This credit can only be used to offset your 1997 income tax. You cannot carry this credit forward and it is not refundable.

LINE 12

Subtract Line 11 from Line 10. Enter the result on Line 12. If less than zero, enter 0.

LINE 13 - ADJUSTED NET CONNECTICUT MINIMUM TAX CREDIT

Enter the amount shown on Line 11 of **Form CT-8801**, *Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts and Estates*, on Line 13. If you did not pay Connecticut alternative minimum tax in 1994 or thereafter, or if you entered an amount on Line 9 of this form, enter 0.

LINE 14 - CONNECTICUT INCOME TAX

Subtract Line 13 from Line 12. Enter the result on Line 14. If less than zero, enter 0.

LINE 15 - INDIVIDUAL USE TAX

Enter the total use tax due as reported on the *Individual Use Tax Worksheet* located on Page 23. You **must** enter a zero on Line 15 if no Connecticut use tax is due; otherwise you will not be considered to have filed a use tax return.

LINE 16 - TOTAL TAX

Add Line 14 and Line 15. Enter the total on Line 16.

LINE 17 - CONNECTICUT TAX WITHHELD

Enter the total income tax withheld for the State of Connecticut as indicated on your copies of Forms W-2, W-2G and certain 1099s. Enter only amounts withheld for the State of Connecticut. Do **not** include tax withheld for other states or the Internal Revenue Service. Be sure you staple the "state copy" of all Forms W-2 to the front of your return. Also, attach any other forms showing Connecticut tax withheld, otherwise, your claim of amounts withheld will not be allowed. If you have not received Form W-2 from your employer or Form 1099-R from your pension, annuity, retirement or profit sharing plan, you should request

Form CT-4852 (substitute Form W-2) to report your earnings and withholding. **Copies of Forms W-2G and 1099 need only be attached if they show Connecticut tax withheld.**

IMPORTANT: If the amount on Line 17 does not equal the amounts of Connecticut withholding as reported on Forms W-2, W-2G, **Form CT-4852** (substitute Form W-2) and certain 1099s, your **Form CT-1040** will be returned to you.

LINE 18 - ALL 1997 ESTIMATED PAYMENTS

Enter on Line 18 the total of all Connecticut estimated tax payments, advance tax payments, and any overpayments of Connecticut income tax applied from a prior year. Be sure to include any 1997 estimated payments made in 1998.

LINE 19 - PAYMENTS MADE WITH EXTENSION REQUEST

If you filed **Form CT-1040EXT**, *Application for Extension of Time to File*, enter on Line 19 the amount you paid with that form.

LINE 20 - TOTAL PAYMENTS

Add Lines 17, 18 and 19. Enter the total on Line 20. This represents the total of all Connecticut tax payments made.

LINE 21 - OVERPAYMENT

If Line 20 is greater than Line 16, subtract Line 16 from Line 20 and enter the result on Line 21. This is the amount of your

overpayment. To properly allocate your overpayment, go to Lines 22, 23 and 24. If Line 20 is less than Line 16, go to Line 25.

LINE 22 - AMOUNT OF LINE 21 YOU WANT APPLIED TO YOUR 1998 ESTIMATED TAX

Enter the amount of your 1997 overpayment that you want applied to your 1998 estimated Connecticut income tax. It will be treated as estimated tax paid on April 15, 1998, if your return is filed on time or if you filed a timely request for extension and your return is filed within the extension period. (Your request to apply this amount to 1998 estimated income tax is irrevocable.)

LINE 23 - AMOUNT OF LINE 21 YOU WANT TO CONTRIBUTE

You may contribute all or a portion of your refund to one or more of five designated funds. Check the appropriate box or write in a whole dollar amount for each fund to which you wish to contribute. Add your contributions and enter the total amount on Line 23. (Your contribution is irrevocable.)

You may only make a contribution on this return if you are entitled to a refund. Your contribution is limited to your refund amount. You may, however, also make **direct** contributions by following the instructions below.

WHAT WILL YOUR CONTRIBUTION BE USED FOR?

AIDS RESEARCH EDUCATION FUND

This fund was created to assist research, education and community service programs related to Acquired Immune Deficiency Syndrome (AIDS). The fund is administered by the Connecticut Department of Public Health. To contribute directly send to:

*AIDS Programs, Dept. of Public Health
410 Capitol Avenue, MS #11APV
PO Box 340308
Hartford CT 06134-0308*

Make check payable to:
"Treasurer, State of Connecticut/AIDS Fund"

ORGAN TRANSPLANT FUND

This fund was created to assist Connecticut residents in paying all or part of any costs associated with a medically required organ transplant. The fund is administered by the Connecticut Department of Social Services. To contribute directly send to:

*Department of Social Services
Attention: Accounts Receivable
25 Sigourney Street, 7th Floor
Hartford CT 06106-5003*

Make check payable to:
"Commissioner of Social Services/Organ Transplant Fund"

ENDANGERED SPECIES, NATURAL AREA PRESERVES, AND WATCHABLE WILDLIFE FUND

This fund was established to help preserve, protect and manage Connecticut wildlife and their habitats. The fund is administered by the Connecticut Department of Environmental Protection. To contribute directly send to:

*Department of Environmental Protection
Bureau of Administration Financial Management
79 Elm Street
Hartford CT 06106-5127*

Make check payable to:
"DEP-Endangered Species/Wildlife Fund"

BREAST CANCER RESEARCH AND EDUCATION FUND

This fund was created to assist research, education and community service programs related to Breast Cancer. The fund is administered by the Connecticut Department of Public Health. To contribute directly send to:

*Connecticut Department of Public Health
Breast and Cervical Cancer Early Detection Program
410 Capitol Avenue, MS #11 HLS
PO Box 340308
Hartford CT 06134-0308*

Make check payable to:
"Treasurer, State of Connecticut/Breast Cancer Fund"

SAFETY NET SERVICES FUND

This fund was created to protect the children of families whose public assistance benefits ended due to a time limit. The fund is administered by the Connecticut Department of Social Services. To contribute directly send to:

*Department of Social Services
Attention: Accounts Receivable
25 Sigourney Street, 7th Floor
Hartford CT 06106-5003*

Make check payable to:
"Commissioner of Social Services/Safety Net Fund"

LINE 24 - AMOUNT OF YOUR REFUND

Subtract the total of Line 22 and Line 23 from Line 21. Enter the result on Line 24. This is the amount of your refund. It is to your advantage to file your return early. Early filers receive their refunds faster. Be sure to affix the **refund label** to the envelope when mailing your return.

IMPORTANT: Your overpayment is applied in the following order: penalty and interest you owe, amounts designated by you to be applied to your 1998 estimated tax, other taxes you may owe the Department of Revenue Services, debts to other Connecticut state agencies, federal taxes you may owe the Internal Revenue Service, and charitable contributions designated by you. Any remaining balance will be refunded to you.

LINE 25 - IF LINE 16 IS GREATER THAN LINE 20, ENTER AMOUNT OF TAX YOU OWE

If Line 16 is greater than Line 20, subtract Line 20 from Line 16 and enter the result on Line 25. This is the amount of tax you owe. (See *Should I Make Estimated Tax Payments?* on Page 8.)

LINE 26 - PENALTY FOR LATE PAYMENT OR LATE FILING

If no income tax is due but you are required to file a return, the penalty for late filing is \$50. The penalty for late payment or underpayment of income or use tax is 10% (.10) of such amount due.

LINE 27 - INTEREST FOR LATE PAYMENT OR LATE FILING

If you fail to pay the tax when due, interest will be charged at the rate of 1% (.01) per month or fraction of a month from the due date until payment is made.

LINE 28 - INTEREST ON UNDERPAYMENT OF ESTIMATED TAX

If Line 14 minus Line 17 is more than \$500, you may owe interest on estimated tax that you either underpaid or paid late. **Form CT-2210, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates***, can help you determine whether you did underestimate and will help you calculate interest. Because this is a complex form you may prefer to have the Department calculate the interest; do **not** file **Form CT-2210**, leave this line blank, and we will bill you. Interest on underpayment of estimated income tax stops accruing on the **earlier** of the day you pay your tax or April 15, 1998.

LINE 29 - AMOUNT YOU OWE

Add Lines 25 through 28. Enter the total on Line 29. This is the total amount you owe. Pay the amount in full with your return. Make your check or money order payable to the "**Commissioner of Revenue Services**". Write your social security number(s) and "**1997 Form CT-1040**" on the front of your check in the lower left corner. Be sure to sign your check and paper clip it to the front of your return. **Do not send cash.**

Failure to file or failure to pay the proper amount of tax when due **will result in the imposition of penalty and interest**. It is to your advantage to file when your return is due whether or not you are able to make full payment.

SIGN HERE

Now that you have completed your Connecticut **Form CT-1040**, sign your name and write the date you signed the return. Your spouse must also sign and enter the date if this is a joint return.

PAID PREPARER SIGNATURE

Anyone you pay to prepare your return must sign and date it. A preparer who signs your return must sign it by hand in the space provided. The preparer's federal employer identification number and firm name must also be entered in the space provided.

MAILING YOUR RETURN

Retain a copy of this return for your records. Attach to this return copies of any required schedules and forms. (Do **not** attach copies of your federal income tax return or federal schedules.)

1. Remove both labels from the envelope flap along the perforation.
2. Choose the correct label for your return, moisten and place it on the return envelope.
3. Affix the correct postage to the envelope, or your return may be late or not delivered.

Do not use these mailing labels to send other correspondence to the Department. Using these labels for other purposes will delay our response to you.

SCHEDULE 1 - MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

You may request **PS 92(3.1)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments or Municipalities*. This may assist you in determining if you are required to make a modification. This publication is available from the Department.

ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME - ENTER ALL AMOUNTS AS POSITIVE NUMBERS

LINE 30 - INTEREST ON STATE AND LOCAL GOVERNMENT OBLIGATIONS OTHER THAN CONNECTICUT

Enter the total amount of interest income derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities, which interest income is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa and U.S. Virgin Islands.

LINE 31 - EXEMPT-INTEREST DIVIDENDS FROM A MUTUAL FUND DERIVED FROM STATE OR MUNICIPAL GOVERNMENT OBLIGATIONS OTHER THAN CONNECTICUT

Enter the total amount of exempt-interest dividends received from a mutual fund that are derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends are derived from obligations of Connecticut and other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa and U.S. Virgin Islands.

Example: A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% would be added back on this line.

LINE 32 - SHAREHOLDER'S PRO RATA SHARE OF S CORPORATION NONSEPARATELY COMPUTED LOSS

Beginning in 1997, the phaseout of the Connecticut corporation business tax on S corporations affects the modification to federal adjusted gross income. If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax, multiply 90% of your pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 32. Your pro rata share of the S corporation's nonseparately computed loss will be reported on federal Form 1120S, Schedule K-1. This form along with the Connecticut corporation business tax apportionment percentage is furnished to you by the S corporation.

IMPORTANT: If any federal limitations apply, add back only 90% of the net loss included on federal Schedule E, apportioned as provided above.

For the 1998 taxable year, the phaseout of the Connecticut corporation business tax on S corporations is reduced to 75%. In computing your estimated Connecticut adjusted gross income for 1998, follow the preceding instructions substituting 75% for 90%.

LINE 33 - TAXABLE AMOUNT OF LUMP- SUM DISTRIBUTIONS FROM QUALIFIED PLANS NOT INCLUDED IN FEDERAL AGI

If you filed federal Form 4972, Tax On Lump-Sum Distributions, with your federal Form 1040 to compute the tax on any part of a distribution from a qualified plan, enter **that** part of the distribution on Line 33. Do not enter any part of the distribution reported on Line 11a of federal Form 1040A or Line 16a of federal Form 1040 or on Schedule D of federal Form 1040.

LINE 34 - BENEFICIARY'S SHARE OF CONNECTICUT FIDUCIARY ADJUSTMENT

If you have any income from an estate or trust, any Connecticut modifications (that is, the Connecticut fiduciary adjustment) that apply to such income will be shown on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, Schedule B, Column 5. Your share of these modifications should be provided to you by the fiduciary. If your share of these modifications is an amount greater than zero, enter the amount on Line 34. If the amount is less than zero, enter the amount on Line 44.

If you are a beneficiary of more than one trust or estate, enter the net amount of all such modifications, if greater than zero, on Line 34.

LINE 35 - LOSS ON SALE OF CONNECTICUT STATE AND LOCAL GOVERNMENT BONDS

Enter the total losses from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes, whether or not the entire loss is used in computing federal adjusted gross income.

LINE 36 - OTHER

Use Line 36 to report any of the following modifications:

1. Add back any Connecticut income tax deducted on the federal income tax return to arrive at federal adjusted gross income. Do not add back any Connecticut income tax deducted on federal Form 1040, Schedule A.
2. Add back any expenses paid or incurred for the production (including management, conservation and maintenance of property held for the production) or collection of income exempt from Connecticut income tax which were deducted on the federal return to arrive at federal adjusted gross income.

3. Add back any amortizable bond premium on bonds producing interest income exempt from Connecticut income tax which premiums were deducted on the federal return to arrive at federal adjusted gross income.
4. Add back any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes.
5. Add back to the extent deductible in determining federal adjusted gross income, any interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax.
6. Also use Line 36 to report any additions to federal adjusted gross income required for Connecticut income tax purposes which are not listed on Lines 30 through 35.

LINE 37 - TOTAL ADDITIONS

Add Lines 30 through 36. Enter the total on Line 37 and on Line 2 on the front of **Form CT-1040**.

SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME - ENTER ALL AMOUNTS AS POSITIVE NUMBERS

LINE 38 - INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS

Enter the total amount of interest income (to the extent includible in federal adjusted gross income) derived from U.S. government obligations, which federal law prohibits states from taxing. (For example: U.S. government bonds such as Saving Bonds Series EE and Series HH, U.S. Treasury bills and notes.)

For Series EE U.S. Savings Bonds, you are entitled to include on Line 38 **only** the amount of interest subject to federal income tax after exclusion of the amounts reported on federal Form 8815. In general, the net taxable amount will be reported by you on Schedule B of federal Form 1040 or Schedule 1 of federal Form 1040A.

IMPORTANT: Do not enter the amount of interest income derived from Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing interest income derived from these obligations, and this interest income is taxable for Connecticut income tax purposes.

Do not enter the amount of interest paid to you on any federal income tax refund.

LINE 39 - EXEMPT DIVIDENDS FROM QUALIFYING MUTUAL FUNDS DERIVED FROM U.S. GOVERNMENT OBLIGATIONS

Enter the total amount of exempt dividends received from a qualifying mutual fund that are derived from U.S. government obligations. A mutual fund is a qualifying fund if, **at the close of EACH quarter** of its taxable year, at least 50% of the value of its assets consists of U.S. government obligations. The percentage of dividends that are exempt dividends should be reported to you by the mutual fund.

IMPORTANT: Do not enter the amount of income derived from Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds

and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing income derived from these obligations, and this income is taxable for Connecticut income tax purposes.

Example: A qualifying mutual fund pays a dividend of \$100. Of the distribution, 55% is attributable to U.S. Treasury bills and 45% to other investments. The amount that should be reported on Line 39 is \$55.

LINE 40 - SOCIAL SECURITY BENEFIT ADJUSTMENT

If you receive federally taxable social security benefits, you may be able to reduce the amount of these benefits that is subject to Connecticut income tax. Complete the *Social Security Benefit Adjustment Worksheet* on Page 17 and enter the result on Line 40.

LINE 41 - REFUNDS OF STATE AND LOCAL INCOME TAXES

Enter the amount of taxable refunds of state and local income taxes reported on Line 10 of your federal Form 1040. If an amount is not reported on Line 10 of your federal Form 1040, or if you filed federal Forms 1040A, 1040EZ or TeleFile Tax Record, enter 0.

LINE 42 - TIER 1 AND TIER 2 RAILROAD RETIREMENT BENEFITS AND SUPPLEMENTAL ANNUITIES

If you received Tier 1 and/or Tier 2 railroad retirement benefits and supplemental annuities during 1997, you may deduct the amount included in your federal adjusted gross income. Enter the total amount of Tier 1 and/or Tier 2 railroad retirement benefits reported on federal Form 1040, Line 16b or Line 20b, or federal Form 1040A, Line 11b or Line 13b. Likewise, enter the amount of railroad unemployment benefits, including sickness benefits paid in lieu of unemployment benefits, to the extent included in your federal adjusted gross income.

LINE 43 - SHAREHOLDER'S PRO RATA SHARE OF S CORPORATION NONSEPARATELY COMPUTED INCOME

Beginning in 1997, the phaseout of the Connecticut corporation business tax on S corporations affects the modification to federal adjusted gross income. If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax, multiply 90% of your pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 43. Your pro rata share of the S corporation's nonseparately computed income will be reported on federal Form 1120S, Schedule K-1. This form along with the Connecticut corporation business tax apportionment percentage is furnished to you by the S corporation.

IMPORTANT: If you have deductible losses from a prior year or other adjustments, subtract only 90% of the net income included on the federal Schedule E, apportioned as provided above.

For the 1998 taxable year, the phaseout of the Connecticut corporation business tax on S corporations is reduced to 75%. In computing your estimated Connecticut adjusted gross income for 1998, follow the instructions above substituting 75% for 90%.

LINE 44 - BENEFICIARY'S SHARE OF CONNECTICUT FIDUCIARY ADJUSTMENT

If you have any income from an estate or trust, any Connecticut modifications (that is, the Connecticut fiduciary adjustment) that

apply to such income will be shown on **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates**, Schedule B, Column 5. Your share of these modifications should be provided to you by the fiduciary. If your share of these modifications is an amount less than zero, enter the amount on Line 44. If the amount is greater than zero, enter the amount on Line 34.

If you are a beneficiary of more than one trust or estate, enter the net amount of all such modifications, if less than zero, on Line 44.

LINE 45 - GAIN ON SALE OF CONNECTICUT STATE AND LOCAL GOVERNMENT BONDS

Enter the total of all gains from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes.

LINE 46 - OTHER

Use Line 46 to report any of the following modifications:

1. Subtract any interest paid on indebtedness incurred to acquire investments that provide income taxable in Connecticut but not taxable for federal purposes, that is not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.

2. Subtract expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut but exempt from federal income tax, which were not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
3. Subtract any amortizable bond premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax, which premiums were not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
4. Subtract the amount of any interest income from notes, bonds or other obligations of the State of Connecticut, interest income from which is included in federal adjusted gross income.

Do **not** use Line 46 to subtract income subject to tax in another jurisdiction (see *Schedule 2 - Credit for Income Taxes Paid to Other Jurisdictions* on Page 18) or income of a nonresident spouse. (See *Filing Status* on Page 11.)

LINE 47 - TOTAL SUBTRACTIONS

Add Lines 38 through 46. Enter the total on Line 47 and on Line 4 on the front of **Form CT-1040**.

SOCIAL SECURITY BENEFIT ADJUSTMENT WORKSHEET (Line 40)		
A. Enter the total amount from Box 5 of all your Forms SSA-1099 and Forms RRB-1099	A.	
If Line A is zero or less, stop here and enter 0 on Line 40. Otherwise, go to Line B.		
B. Divide Line A above by 2	B.	
C. Add the amounts on your federal Form 1040, Lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21; or federal Form 1040A, Lines 7, 8a, 9, 10b, 11b and 12. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099	C.	
D. Enter the amount from federal Form 1040 or 1040A, Line 8b	D.	
E. Add Lines B, C, and D	E.	
F. Enter total adjustments from federal Form 1040, Line 31 or federal Form 1040A, Line 15	F.	
G. Subtract Line F from Line E	G.	
H. Enter on Line H the amount shown below for your filing status: <ul style="list-style-type: none"> ● single, head of household, or qualifying widow(er), enter \$25,000 ● married filing joint, enter \$32,000 ● married filing separate, enter 0 (\$25,000 if you lived apart from your spouse for all of 1997) 	H.	
I. Subtract Line H from Line G. If zero or less, enter 0	I.	
J. Divide Line I by 2	J.	
K. Enter the lesser of Line B or Line J	K.	
L. Taxable amount of social security benefits as reported on 1997 federal Form 1040, Line 20b or Form 1040A, Line 13b	L.	
M. Social Security Benefit Adjustment - Subtract Line K from Line L. Enter the amount here and on Form CT-1040 , Line 40. (If Line K is greater than or equal to Line L, enter 0)	M.	

SCHEDULE 2 - CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

Schedule 2 is used to claim a credit against your Connecticut income tax liability for income taxes paid by you for the taxable year to another state or political subdivision thereof, or the District of Columbia or any province of Canada. Credit may only be claimed if the income on which taxes were paid was derived from or connected with sources within the qualifying jurisdiction.

Example: No credit is allowed for taxes paid on dividends or interest income unless derived from property employed in a business or trade carried on in that jurisdiction. Credit is allowed, however, for taxes paid on wages earned for services performed in another jurisdiction.

Taxpayers seeking a credit for alternative minimum taxes paid to another jurisdiction must use **Form CT-6251, Connecticut Alternative Minimum Tax Return-Individuals**, to calculate their alternative minimum tax credit.

No credit shall be allowed for any of the following:

- income tax paid to a foreign country (including Canada);
- income tax paid to another jurisdiction, if the taxpayer claimed credit on that other jurisdiction's income tax return for income taxes paid to Connecticut;
- income tax paid to a Canadian province (including a political subdivision of a Canadian province) by a taxpayer electing to claim the foreign tax credit for federal income tax purposes in the current taxable year or a preceding taxable year. To the extent the taxpayer claims the foreign tax credit for such Canadian provincial income tax for a succeeding taxable year, the credit against Connecticut income tax previously allowed shall be added back to Connecticut income tax for such succeeding taxable year.

Taxpayers required to add back a previously allowed credit to Connecticut income tax, must use Line 57 of Schedule 2.

The allowed credit must be separately computed for each jurisdiction. Use separate columns for each jurisdiction for which you are claiming a credit. You **must** attach a copy of all income tax returns filed with other jurisdictions to your Connecticut income tax return. **Failure to attach a copy of the other states' returns could result in the disallowance of this credit.**

Schedule 2 provides two columns, A and B, to compute the credit for two jurisdictions. If you require more than two columns, you should create a worksheet identical to Schedule 2 and attach it to the back of your **Form CT-1040**.

IMPORTANT: If you are claiming credit for income taxes paid to another state and to its political subdivision (i.e. New York State and New York City), follow these rules to determine your credit:

- A. If the **same amount** of income is taxed by both the city and state, use only **one** column of Schedule 2 to calculate your credit:
 1. Enter that amount of income in only **one** column on Schedule 2;
 2. Combine the amounts of tax paid to the city and the state and enter the total on Line 54 of that column.

B. If the **amounts** of income taxed by both the city and state **are not equal**:

1. Use two columns on **Form CT-1040**, Schedule 2;
2. Include only the same income taxed by both jurisdictions in the first column;
3. Include the excess income taxed by only one of the jurisdictions in the next column.

Example: Alisa and William are Connecticut residents, whose filing status is married filing joint.

- | | |
|--|---------------|
| 1. Connecticut AGI | \$ 110,000.00 |
| 2. New York State income | \$ 55,000.00 |
| 3. New York City income | \$ 44,000.00 |
| 4. Identical income subject to tax in both jurisdictions | \$ 44,000.00 |
| 5. New York State tax | \$ 2,600.00 |
| 6. New York City tax | \$ 225.00 |
| 7. Connecticut tax | |
| (Form CT-1040, Line 6) | \$ 4,762.50 |

Their Schedule 2 would be completed as follows:

	LINE 48		\$110,000	00
	(N.Y. State and N.Y. City)		(N.Y. State Excess)	
	COLUMN A		COLUMN B	
	Name	Code	Name	Code
LINE 49	New York	N Y	New York	N Y
LINE 50	44,000	00	11,000	00
LINE 51	.4000		.1000	
LINE 52	4,762	50	4,762	50
LINE 53	1,905	00	476	25
LINE 54	2,305	00	520	00
LINE 55	1,905	00	476	25
LINE 56	TOTAL CREDIT:		\$2,381	25

Their New York State tax is prorated on Line 54 in Column A and Column B, based upon the fraction of New York State income reported in each column. Because 4/5 of their New York State income is reported in Column A, 4/5 of their New York tax ($4/5 \times \$2,600 = \$2,080$) is included on Line 54 of Column A. Added to that figure in Column A is their New York City tax on the \$44,000 income ($\$2,080 + \$225 = \$2,305$). The remaining New York State tax ($1/5 \times \$2,600 = \520) is reported on Line 54, Column B.

LINE 48 - CONNECTICUT ADJUSTED GROSS INCOME WITH MODIFICATIONS

Add to Connecticut adjusted gross income from Line 5, any net loss derived from or connected with sources in another jurisdiction(s) where you were subject to income taxation, whether or not income tax was actually paid to the jurisdiction(s). The modified amount is entered on Line 48.

Example: Jake's Connecticut adjusted gross income of \$60,000 includes a net loss of \$20,000 from a business conducted in Rhode Island. He must add the \$20,000 net loss to the \$60,000 and enter the \$80,000 on Line 48.

LINE 49 - TAXING JURISDICTION(S)

If you claim credit for income taxes paid to another state or Canadian province (or a political subdivision of either), enter on Line 49 the name and the two-letter code of each taxing jurisdiction for which you are claiming credit. These codes are listed below.

STANDARD TWO-LETTER CODES

Alabama	AL	Louisiana	LA	Ohio	OH
Arizona	AZ	Maine	ME	Oklahoma	OK
Arkansas	AR	Maryland	MD	Oregon	OR
California	CA	Massachusetts ..	MA	Pennsylvania	PA
Colorado	CO	Michigan	MI	Rhode Island	RI
Delaware	DE	Minnesota	MN	South Carolina	SC
District of Columbia ..	DC	Mississippi	MS	Tennessee	TN
Georgia	GA	Missouri	MO	Utah	UT
Hawaii	HI	Montana	MT	Vermont	VT
Idaho	ID	Nebraska	NE	Virginia	VA
Illinois	IL	New Jersey	NJ	West Virginia	WV
Indiana	IN	New Mexico	NM	Wisconsin	WI
Iowa	IA	New York	NY	Any Canadian Province ..	OO
Kansas	KS	North Carolina ..	NC		
Kentucky	KY	North Dakota	ND		

LINE 50 - NON-CONNECTICUT INCOME

Complete the Schedule 2 Worksheet on Page 20 of this booklet to determine the total of non-Connecticut income which is included in your Connecticut adjusted gross income and is reported on another jurisdiction's income tax return. Enter on Line 50 the amount from Column II, Line 20 of the Worksheet.

LINE 51

Divide the amount on Line 50 by the amount on Line 48. The result cannot exceed 1.0000. (Round to four decimal places.)

LINE 52 - INCOME TAX LIABILITY

Subtract Line 11 from Line 6 and enter the result on Line 52.

IMPORTANT: In order to compute Line 52, *Income Tax Liability*, you **must** first complete **Form CT-1040**, Schedule 3, *Credit for Property Taxes Paid on your Primary Residence and/or Motor Vehicle*, on Page 21.

LINE 53

Multiply the percentage arrived at on Line 51 by the amount reported on Line 52.

LINE 54 - INCOME TAX PAID TO ANOTHER JURISDICTION

Enter on Line 54 the total amount of income tax paid to another jurisdiction.

Income tax paid means the lesser of your tax liability to that jurisdiction or the tax you paid to that jurisdiction as reported on a return filed with that jurisdiction, exclusive of any penalty or interest. Do **not** report taxes withheld for that jurisdiction.

LINE 55

Enter on Line 55 the lesser of the amounts reported on Line 53 or Line 54.

LINE 56 - TOTAL CREDIT

Add the amounts from Line 55A and Line 55B and Line 55 of any additional worksheets. Enter the total on Line 56.

The amount on Line 56 cannot exceed Line 53.

LINE 57 - FOREIGN TAX CREDIT PREVIOUSLY ALLOWED

Enter the amount of any credit previously allowed on your Connecticut income tax return from a prior year for income tax paid to a Canadian province (or a political subdivision of a Canadian province) if you also claimed a foreign tax credit for that tax on your federal income tax return for a succeeding taxable year.

LINE 58 - NET CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

Subtract Line 57 from Line 56 and enter the result on Line 58 and on Line 7 of **Form CT-1040**. Generally, the result will be a positive number; however, if the result is a negative number, be sure to enter it as a negative number on Line 7.

Taxpayer's Worksheet

SCHEDULE 2 - WORKSHEET LINE INSTRUCTIONS

Complete Schedule 2 - *Worksheet- Income and Adjustments* below to determine that portion of your Connecticut adjusted gross income that has been reported by you on an income tax return filed with another jurisdiction, on which you have paid income tax to that other jurisdiction, and for which you are seeking a credit against your Connecticut income tax. *Another jurisdiction* means another state of the United States, or a Canadian province, or a political subdivision of another state or Canadian province (but not the United States or Canada). If you paid income tax to more than one jurisdiction, you must complete a separate worksheet for each jurisdiction. Retain this worksheet with your 1997 tax records. Do not attach to your tax return.

The federal income tax return line references are to the federal Form 1040. If you file a federal Form 1040A, federal Form 1040EZ, or federal TeleFile Tax Record use the appropriate lines from those forms.

COLUMN I - LINES 1 THROUGH 20

Enter in Column I, Lines 1 through 15 of the worksheet, the amounts entered on Lines 7 through 21, respectively, of your federal income tax return.

Enter on Line 17 of the worksheet the amount entered on Line 31 of your federal income tax return.

Enter on Line 19 of the worksheet the **net** amount of your Connecticut modifications to federal adjusted gross income. (Subtract **Form CT-1040**, Schedule 1, Line 47 from Line 37, to arrive at this amount.)

COLUMN II - LINES 1 THROUGH 20

For each line, enter that portion of the amount entered on the corresponding line of Column I which was reported by you on an income tax return filed with (and on which income tax was paid to) the other jurisdiction. On Line 19 enter only the portion of Connecticut modifications **directly related** to income sourced in the other taxing jurisdiction.

Example 1: You and your spouse file a joint federal Form 1040 and a joint **Form CT-1040**. Your spouse's wages as an employee working in Rhode Island are \$20,000 and your wages as an employee working in Connecticut are \$25,000. On Line 7 of your federal Form 1040, you and your spouse enter the amount of \$45,000. You and your spouse will enter the amount of \$45,000 on Column I, Line 1 of the worksheet, and the amount of \$20,000 on Column II, Line 1 of the worksheet.

Example 2: You are the sole proprietor of a business conducted at two locations: one in Connecticut and one in Massachusetts. You file Schedule C of federal Form 1040 and **Form CT-1040**.

On Line 12 of your federal Form 1040, you enter the amount of \$100,000. Of the items of gross income on Schedule C (\$150,000), \$90,000 is derived from the Massachusetts location. Of the items of expenses on Schedule C (\$50,000), \$35,000 is derived from the Massachusetts location. You will enter the amount of \$100,000 on Column I, Line 6 of the worksheet, and the amount of \$55,000 (\$90,000 - \$35,000) on Column II, Line 6 of the worksheet.

COLUMN II - LINE 20

Enter the amount from Column II, Line 20 of the worksheet on Schedule 2, Line 50 of your Connecticut income tax return.

SCHEDULE 2 - WORKSHEET - INCOME AND ADJUSTMENTS

Complete this worksheet and enter the amount from Column II, Line 20 on **Form CT-1040**, Schedule 2, Line 50. Complete a separate worksheet for each jurisdiction if you paid income tax to more than one jurisdiction.

		<u>Column I</u>	<u>Column II</u> Amount Taxable in Other Taxing Jurisdiction
1. Wages, salaries, tips, etc.	1.		
2. Taxable interest	2.		
3. Dividend income	3.		
4. Taxable refunds of state and local income taxes	4.		
5. Alimony received	5.		
6. Business income or (loss)	6.		
7. Capital gain or (loss)	7.		
8. Other gains or (losses)	8.		
9. Taxable amount of IRA distributions	9.		
10. Taxable amount of pensions and annuities	10.		
11. Rental real estate, royalties, partnerships, S corporations, trusts, etc.	11.		
12. Farm income or (loss)	12.		
13. Unemployment compensation	13.		
14. Taxable amount of social security benefits	14.		
15. Other income	15.		
16. Add Lines 1 through 15	16.		
17. Total federal adjustments to income	17.		
18. Federal adjusted gross income (Subtract Line 17 from Line 16)	18.		
19. Connecticut modifications (See instructions)	19.		
20. Connecticut adjusted gross income (Add Line 18 and Line 19)	20.		

SCHEDULE 3 - CREDIT FOR PROPERTY TAXES PAID ON YOUR PRIMARY RESIDENCE AND/OR MOTOR VEHICLE

Schedule 3 is to be used by a Connecticut resident to claim a credit against his or her Connecticut income tax liability. The credit is for property taxes that first became **due** and were **paid** in 1997 to a Connecticut political subdivision on his or her primary residence and/or privately owned or leased motor vehicle. If you entered zero on **Form CT-1040**, Line 10, **DO NOT** complete this schedule.

Which Property Tax Bills Qualify?

Generally, this credit is allowed for property tax bills first becoming **due** July 1, 1997 and **paid** in 1997. It also includes supplemental property tax bills first becoming **due** and **paid** in 1997. However, the second installment of a property tax bill first becoming due in 1996 and paid in 1997 or the payment in 1997 of any delinquent property tax bills **do not** qualify for this credit.

Maximum Credit Allowed

The **maximum** credit allowed (on your primary residence and/or motor vehicle) is **\$215** per return, regardless of filing status. If you paid more than \$100 in property tax you may be subject to a limitation based on your Connecticut Adjusted Gross Income (AGI).

If your filing status is **Single** and your Connecticut AGI is greater than \$52,500; **Married filing joint** and your Connecticut AGI is greater than \$100,500; **Married filing separate** and your Connecticut AGI is greater than \$50,250; or **Head of household** and your Connecticut AGI is greater than \$78,500, complete the *Property Tax Credit Limitation Worksheet* on Page 22.

This credit cannot exceed the amount of qualifying property taxes paid or the amount of tax entered on **Form CT-1040**, Line 10. To receive this credit, you must complete Schedule 3 in its entirety.

Motor Vehicle Credit Restrictions

The number of motor vehicles eligible for this credit depends on your filing status as shown on the front of your Connecticut income tax return. Any individual whose filing status is *Single*, *Married filing separate* or *Head of household* is limited to the property tax paid on **one** motor vehicle. Individuals whose filing status is *Married filing joint* are limited to the property taxes paid on **two** motor vehicles.

Leased Motor Vehicles

The credit is also available to any Connecticut resident who leased a motor vehicle if **all** of the following conditions were met:

- you had a written lease agreement for a term of more than one year; **and**
- the property tax first became due and was paid during 1997 by either the leasing company or you; **and**
- you were lawfully in possession of the motor vehicle at the time the taxes first became due.

In order to determine the amount of property taxes which may be eligible for credit against your Connecticut income tax liability, please refer to your January 1998 billing statement from your leasing company. Your statement will either indicate the amount of property taxes paid on your leased motor vehicle or provide you with a toll-free number that you may call to obtain the necessary information.

If you do not receive a billing statement in January 1998, contact your leasing company for the appropriate property tax information.

COLUMN INSTRUCTIONS FOR SCHEDULE 3

COLUMN A - NAME OF CONNECTICUT TAX TOWN OR DISTRICT

Enter the Connecticut town or taxing district to which the qualifying property tax was paid.

COLUMN B - DESCRIPTION OF PROPERTY

Enter the description of the property. If a primary residence, enter the street address. If a motor vehicle, enter the year, make and model.

COLUMN C - LIST / BILL NUMBER

Enter the list or bill number from your property tax bill.

COLUMN D - DATE PAID

Enter the date that you paid qualifying property taxes (see *Which Property Tax Bills Qualify?* above).

COLUMN E - AMOUNT PAID

Enter the amount of property taxes paid.

LINE INSTRUCTIONS FOR SCHEDULE 3

LINE 59 - AMOUNT PAID - PRIMARY RESIDENCE

Enter the amount of property tax paid on your primary residence.

LINE 60 - AMOUNT PAID - AUTO 1

Enter the amount of property tax paid on your motor vehicle.

LINE 61 - AMOUNT PAID - MARRIED FILING JOINT ONLY - AUTO 2

Married Filing Joint Only - Enter the amount of property tax paid on your second motor vehicle.

LINE 62 - TOTAL PROPERTY TAX PAID

Add all amounts from Column E.

LINE 63 - MAXIMUM PROPERTY TAX CREDIT ALLOWED

Maximum Property Tax Credit allowed \$215 (subject to limitation).

LINE 64

Enter the **lesser** of Line 62 or Line 63. If \$100 or less, enter this amount on Line 66 and on the front of **Form CT-1040**, Line 11. If greater than \$100, go to Line 65.

LINE 65 - LIMITATION

Complete the *Property Tax Credit Limitation Worksheet* on Page 22, and enter here the amount from Line 5 of that worksheet.

LINE 66

Subtract Line 65 from Line 64. Enter here and on the front of **Form CT-1040**, Line 11.

HOW TO GET MORE INFORMATION

For further information, request **IP 97(9)**, *Q and A on Property Tax Credit* or listen to Topic 408, Property Tax Credit on CONN-TAX at 860-297-5962 (Hartford area and out-of-state) or 1-800-382-9463.

LINE 65 - PROPERTY TAX CREDIT LIMITATION WORKSHEET

Enter zero on Line 65 and do not complete this worksheet if your filing status is:

Single and your Connecticut AGI is less than or equal to **\$52,500**;**Married filing joint** and your Connecticut AGI is less than or equal to **\$100,500**;**Married filing separate** and your Connecticut AGI is less than or equal to **\$50,250**; or**Head of household** and your Connecticut AGI is less than or equal to **\$78,500**.**PROPERTY TAX CREDIT LIMITATION WORKSHEET**

1. Enter the amount reported on Form CT-1040 , Line 64	1.	
2. Credit allowed (Not subject to limitation)	2.	100.00
3. Subtract Line 2 from Line 1	3.	
4. Enter exclusion percentage from Chart below (use your filing status shown on the front of your tax return and your CONNECTICUT AGI)	4.	.
5. Multiply the amount on Line 3 by the percentage on Line 4. Enter the amount here and on Form CT-1040 , Line 65	5.	

PROPERTY TAX CREDIT EXCLUSION PERCENTAGES

(Use your filing status on the front of your tax return and your Connecticut AGI - Form CT-1040, Line 5.)

SINGLE

If you are Single and your Connecticut AGI is:

More Than	Less Than or Equal to	Exclusion %
\$0	\$52,500	0
\$52,500	\$62,500	.10
\$62,500	\$72,500	.20
\$72,500	\$82,500	.30
\$82,500	\$92,500	.40
\$92,500	\$102,500	.50
\$102,500	\$112,500	.60
\$112,500	\$122,500	.70
\$122,500	\$132,500	.80
\$132,500	\$142,500	.90
\$142,500	and up	1.00

MARRIED FILING JOINT

If you are Married Filing Joint and your Connecticut AGI is:

More Than	Less Than or Equal to	Exclusion %
\$0	\$100,500	0
\$100,500	\$110,500	.10
\$110,500	\$120,500	.20
\$120,500	\$130,500	.30
\$130,500	\$140,500	.40
\$140,500	\$150,500	.50
\$150,500	\$160,500	.60
\$160,500	\$170,500	.70
\$170,500	\$180,500	.80
\$180,500	\$190,500	.90
\$190,500	and up	1.00

MARRIED FILING SEPARATE

If you are Married Filing Separate and your Connecticut AGI is:

More Than	Less Than or Equal to	Exclusion %
\$0	\$50,250	0
\$50,250	\$55,250	.10
\$55,250	\$60,250	.20
\$60,250	\$65,250	.30
\$65,250	\$70,250	.40
\$70,250	\$75,250	.50
\$75,250	\$80,250	.60
\$80,250	\$85,250	.70
\$85,250	\$90,250	.80
\$90,250	\$95,250	.90
\$95,250	and up	1.00

HEAD OF HOUSEHOLD

If you are Head of Household and your Connecticut AGI is:

More Than	Less Than or Equal to	Exclusion %
\$0	\$78,500	0
\$78,500	\$88,500	.10
\$88,500	\$98,500	.20
\$98,500	\$108,500	.30
\$108,500	\$118,500	.40
\$118,500	\$128,500	.50
\$128,500	\$138,500	.60
\$138,500	\$148,500	.70
\$148,500	\$158,500	.80
\$158,500	\$168,500	.90
\$168,500	and up	1.00

INDIVIDUAL USE TAX WORKSHEET

Complete this worksheet to calculate your use tax liability when filing **Form CT-1040EZ**, **Form CT-1040** and **Form CT-1040NR/PY**. If you require additional lines, you should create an identical worksheet.

If you purchased taxable goods or services for use in Connecticut during the calendar year and a Connecticut or out-of-state merchant failed to collect Connecticut sales tax, you must pay the Connecticut use tax. Complete the schedule below to determine your Connecticut use tax liability.

Enter only those purchases subject to use tax that you have **not** previously reported on **Form OP-186, Connecticut Individual Use Tax Return**.

You must list separately on this worksheet, any individual item with a purchase price of **\$300 or more** and complete Columns A through G. You do not need to list separately any individual item with a purchase price of **less than \$300**. Such items are subject to tax and the total of these items should be reported on Line 1. Enter the total tax for all taxable purchases on Line 2.

Enter the result from Line 2 of this worksheet on **Form CT-1040EZ**, Line 7; **Form CT-1040**, Line 15; or **Form CT-1040NR/PY**, Line 17. **You must attach a copy of this worksheet to your Connecticut income tax return if you are reporting the purchase of any individual item with a purchase price of \$300.00 or more.**

For further information regarding the *Connecticut Individual Use Tax*, refer to the questions and answers on Page 24.

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
DATE OF PURCHASE	DESCRIPTION OF ARTICLES OR SERVICES	RETAILER OR SERVICE PROVIDER	PURCHASE PRICE	CT TAX DUE (.06 x Column D)	TAX, IF ANY, PAID TO ANOTHER JURISDICTION	BALANCE DUE (Column E minus Column F but not less than zero)
1. TOTAL OF INDIVIDUAL PURCHASES UNDER \$300 NOT LISTED ABOVE						
					1.	
Individual Use Tax (Add all amounts for Column G.) Enter here and on Form CT-1040EZ , Line 7; Form CT-1040 , Line 15; or Form CT-1040NR/PY , Line 17.					2.	

IMPORTANT: You must enter this amount on your Connecticut income tax return for an individual use tax return to be considered as filed. You **must** enter 0 on the appropriate line if no Connecticut use tax is due.

Questions and Answers about the Connecticut Individual Use Tax

For additional information, request IP 96(10.1), *Q & A on the Connecticut Individual Use Tax*.

1. What is the use tax?

When you make a retail purchase in this state, you will usually pay 6% sales tax to the seller who in turn remits the tax to the Department of Revenue Services (DRS). There are some instances where Connecticut sales tax is not paid to the retailer. For example, the purchase of taxable goods or services from an out-of-state mail order company, a television shopping channel, or a computerized shopping service that is not registered to collect Connecticut sales tax may result in a use tax liability to you.

If you purchase a taxable good or service for use in Connecticut from an out-of-state merchant that is not registered to collect Connecticut sales tax, you **must** pay the Connecticut use tax directly to DRS. This tax has been in effect since 1947.

2. On what kinds of goods or services must I pay use tax?

Personal property, whether purchased or leased, including but not limited to, clothing costing \$50 or more, automobiles, vessels, appliances, furniture, VCRs, jewelry, cameras, computers and computer software. Services include, but are not limited to, repair services to your television, motor vehicle or vessel; computer and data processing services, such as access to on-line computer services; landscaping services for your home; or reupholstering services for your household furniture.

Effective July 1, 1997, computer and data processing services are taxed at 5% and repair and maintenance services to vessels are taxed at 4%.

3. Are there exemptions from the use tax?

Generally, all goods or services that are exempt from sales tax if purchased in Connecticut, are exempt from the use tax if purchased out-of-state for use in Connecticut. Some examples are: clothing costing less than \$50, or newspapers and magazines by subscription.

4. Do I owe Connecticut use tax on all my out-of-state purchases of taxable goods and services?

No. Items that you purchased at one time for \$25 or less **and that you brought** into Connecticut are not subject to Connecticut use tax. The \$25 exemption does **not** apply, however, to items that are **shipped** or **mailed** to you.

5. What if a customer buys taxable goods or services in another state, and the sales tax of the other state was charged by the vendor?

If the goods or services were purchased for use in Connecticut and if the tax paid to the other state is less than the Connecticut tax, then the customer must report and pay the use tax. The tax due would be the Connecticut tax less the tax paid to the other state.

EXAMPLE: You purchased a \$1,000 refrigerator in another state, and paid a \$50 tax to that state. If that refrigerator was purchased for use in Connecticut, a Connecticut use tax is owed. The Connecticut tax of \$60 is reduced to \$10, after allowance of \$50 credit for sales tax paid to another state. If no tax was paid to the other state, however, the Connecticut use tax is \$60.

6. When must individuals pay the use tax?

Where the purchases are not made in connection with a trade or business carried on by an individual, the individual must report the individual use tax either on his or her Connecticut income tax return, **Forms CT-1040EZ, CT-1040 or CT-1040NR/PY**, filed by April 15 for purchases made during the preceding calendar year, or on **Form OP-186, Connecticut Individual Use Tax Return**. A person may file one **Form OP-186** for the entire year or may file several returns throughout the year.

Persons engaged in a trade or business must register with DRS for business use tax and report their purchases made in connection with their trade or business on **Form OS-114**.

7. What is the penalty and interest for not paying the use tax?

The penalty is 10% (.10) of the tax. Interest is charged at the rate of 1% (.01) per month or a fraction of a month from the due date of the tax return. There are also criminal sanctions for willful failure to file a tax return.

8. On what amount should the use tax be calculated?

The tax rate should be applied to the total purchase price of the taxable goods or services purchased, including separately stated charges (e.g., shipping and handling).

1997 TAXPAYER QUESTIONNAIRE

A MESSAGE FROM COMMISSIONER GENE GAVIN

Your evaluation of the services provided by the Department of Revenue Services (DRS) will help us to continue to improve our services for the taxpayers of Connecticut. We appreciate receiving your comments and suggestions at any time, but especially as you complete your income tax return. Please include this questionnaire with your return (**do not staple it to the return**) or mail it directly to:

Department of Revenue Services
Taxpayer Services Division
PO Box 2987
Hartford CT 06104-2987

1. RATE YOUR CONTACTS WITH DRS IN THE PAST YEAR.

	Excellent	Good	Fair	Poor
Ordering forms from the DRS				
DRS Telephone System (CONN-TAX)				
DRS walk-in assistance				
DRS website, tax seminar or new business workshop				

Please explain your rating for any category if Fair or Poor:

2. WHICH OF THE FOLLOWING DRS CUSTOMER SERVICES DO YOU EXPECT TO USE IN THE NEXT YEAR?

- | | |
|---|---|
| <input type="checkbox"/> DRS Site on the World Wide Web | <input type="checkbox"/> Recorded Tax Information (CONN-TAX Telephone System) |
| <input type="checkbox"/> Tax-Fax (Fax-on-demand using your fax machine) | <input type="checkbox"/> Telephone Assistance From a DRS Representative |
| <input type="checkbox"/> Walk-in Assistance | <input type="checkbox"/> Tax Information Publications |
| <input type="checkbox"/> Tax Seminars | <input type="checkbox"/> Other _____ |

3. THE FOLLOWING SUGGESTIONS TO IMPROVE DRS SERVICES WERE MADE ON LAST YEAR'S TAXPAYER QUESTIONNAIRE. PRIORITIZE (1-5) THE SUGGESTIONS IN ORDER OF THEIR IMPORTANCE TO YOU: (1 = most important)

Simplify forms and instructions _____ (Specify form)	
Direct deposit of refund	
Taxpayer education on _____ (Specify topic)	
Using the telephone to file returns (telefiling)	
Improve telephone access for taxpayer assistance	

4. WHAT OTHER SUGGESTIONS OR COMMENTS WOULD YOU LIKE TO ADD?

CONNECTICUT TAX ASSISTANCE



CALL :



WALK-IN :



For further information about Connecticut taxes call the Department of Revenue Services at:

- **860-297-5962** (Hartford area or out-of-state)
- **1-800-382-9463** (In-State)

Telecommunications Device for the Deaf (TDD/TT) users only, call 860-297-4911.

Forms and publications may be obtained at any hour of the day seven days a week:

- **Telephone:** use the numbers listed above and select Option 3 from a touch-tone phone;
- **Internet:** preview and download forms from the DRS website (<http://www.state.ct.us/drs>);
- **DRS TaxFax:** call 860-297-5698 from the handset attached to your fax machine.



WRITE :



**Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032**

For assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (weekdays)

BRIDGEPORT
10 Middle Street
203-579-6251

HAMDEN *
2105 State Street
203-789-7516

* The Hamden office is moving in 1998. To verify the address, please call before you visit.

HARTFORD
25 Sigourney Street
860-297-5962

NORWICH
2 Cliff Street
860-889-2669

WATERBURY
91 Schraffts Drive
203-596-4310

If you require special accommodations, please advise the Department representative.

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

**State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032**